State of New Jersey
Division of Taxation
Instructions for Retail Dealers of Cigarettes regarding Manufacturer's Sales Plans evidenced by Coupons

1. **Only cigarette manufacturers** may sponsor or initiate a sales plan which, based on the cash value of a coupon affixed to each pack or provided by the manufacturer or his agent (for example, coupons obtained from direct mail, newspapers, or magazines), lowers the price of cigarettes below the minimum retail price to a consumer for cigarettes as established by the Director of the Division of Taxation pursuant to his authority

   a) Every retail dealer of cigarettes on whose premises such a manufacturer's sales plan is being honored shall obtain and display a written statement from the manufacturer which describes the plan and attests that the coupons to be presented by the retail customer have been affixed or provided by the manufacturer and are redeemable by the manufacturer.

   b) Retailer dealers of cigarettes may redeem manufacturer's coupons issued to the general public which may reduce the retail purchase price of cigarettes below the minimum retail price to a consumer for cigarettes as long as the manufacturer reimburses the retailer directly for the redeemed coupon and the retailer maintains documentation showing the sale of the cigarettes to its customers and the manufacturer's subsequent reimbursement. For example, if the minimum retail price is $25.00 per carton of cigarettes, the retailer may accept a $5.00 coupon that reduces the cash cost to the consumer to $20.00 and not be in violation of the Unfair Cigarette Sales Act. However, the retailer may not sell the carton for less than $25.00 unless each pack in the carton has been affixed with a manufacturer's coupon or the retail customer tenders a valid manufacturer's coupon.

   c) New Jersey Sales and Use Tax shall be collected by the retailer as established by the Division of Taxation of the State of New Jersey in it's Technical Publication ANJ-9 which declares that the 6% sales tax shall be on the regular price of the cigarettes established by the retailer which treats the coupon as tendered cash. For example, a pack of cigarettes selling for $2.50 has a sales tax of $0.15 for a total of $2.65. A retail customer presenting a valid manufacturer's coupon with a cash value of $0.50 shall pay $2.15 which represents his direct cost plus the sales tax on the whole retail cost ($2.00 + $0.15). Similarly, a carton of cigarettes selling for $25.00 has a sales tax of $1.50 for a total of $26.50. A retail customer presenting a valid manufacturer's coupon with a cash value of $5.00 shall pay $21.50 which represents his direct cost plus the sales tax on the whole retail cost ($20.00 + $1.50).

   Buy-downs d) A dealer participating in a manufacturer's promotional sales plan which is not evidenced by a manufacturer's coupon and results in a sale of cigarettes below the minimum retail price for cigarettes as established by the Director of the Division of Taxation is in violation of the Unfair Cigarette Sales Act.

   e) A wholesale or retail dealer may sponsor and or initiate a promotional sales plan if and only if the plan does not result in the sale of cigarettes at a price below the minimum retail price to a consumer for cigarettes as established by the Director of the Division of Taxation pursuant to his authority.

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